COURSE SYLLABUS

COURSE TITLE

Instructor: Balázs Romhányi  
Department: Economics  
Central European University  
Semester/term, year Winter, 2014/15  
Course level: MA  
# Credits (# ECTS Credits): 4 (8 ECTS)  
Pre-requisites (if applicable): Intermediate level in microeconomics and macroeconomics  
Course e-learning site:  
Office hours: by appointment

Course Description  
Presentation of the major issues in fiscal policy and public financial management: theoretical foundations, empirical measurement, institutional solutions

Learning Outcomes  
The primary goal of the course is to link theory to the basic notions, problems and solutions of fiscal policy and budgeting in practice. A secondary goal is to help students analytically think about the budgeting system of their home country, and to learn how international good practice handles the problems they face.

Course Requirements  
1. Essay comparing the budgeting system of three countries (length: max 10 pages; deadline: March 16, 2015, weight: 40%, by every day of late submission the maximum attainable score is reduced by 4% points, that is the same paper if submitted on time might get 30, if submitted 5 days later gets only 15 or 0 after 10 days.
2. Written exam for grade with weight: 50%. Covering important notions and phenomena, short problems and essay type questions
3. Activity 10% (measured by random tests during the lectures)  
   • Optional 40 minutes presentation of one optional reading with 20% weight (this means that the theoretically maximum score is 120%, that is, those who undertake a presentation “gain” 20 points)
   • In order to get the minimum pass grade (C+) for the course, at least 50% of the weighted marks must be obtained
   • Audit: Minimum 6% points in activity
COURSE SCHEDULE

Part I. The selfless government

Topic 1. macroeconomics and fiscal policy

Content:
- fiscal sustainability; fiscal multipliers; automatic and discretionary stabilization:
  - empirical facts; interactions between monetary and fiscal policy

Required Reading:

Recommended Reading:

Topic 2. measurement in fiscal policy

Content:
- primary data sources (transactions in the treasury, institutions' reports); accounting, statistics and budgeting (institutional delimitations, cash flow vs accrual accounting, government in different statistical systems); functional and economic classification of budget items; mandatory and discretionary items; gross and net expenditures;

Required Reading:

Recommended Reading:

Topic 3. analysis of fiscal data

Content:
- link of the budget balance and other financial statements of the economy; different concepts of the budget balance; cyclical adjustment; one offs;
Required Reading:

Recommended Reading:

Topic 4. forecasting in fiscal policy
Content:
the main budget items; elementary forecasting methods; conditional and unconditional fiscal forecasts; medium and long term base line scenarios, generational accounting

Required Reading:
(1) Congressional Budget Office, 2012 “Updated Budget Projections: Fiscal Years 2012 to 2022,”

Recommended Reading:
(1) Congressional Budget Office, 2011 “The Long Term Budget Outlook,”

Topic 5. fiscal impact assessment
Content:
macromodelling of fiscal policy; ricardian equivalence; microsimulation; direct and indirect effects; behavioral effects; macroeconomic effects; quality of public finances

Required Reading:
(1) Assessment of the Fiscal Council of the Republic of Hungary of the Fiscal Impacts of Bill No.T_1376

Recommended Reading:
Part II. The selfish government

Topic 6. the political economy of budgeting 1

Content:
- time inconsistency; common pool problems; deficit bias; procyclical fiscal policy and political budget cycles

Required Reading:

Recommended Reading:

Topic 7. the political economy of budgeting 2

Content:
- main actors in the budget process (agencies vs ministries, strong vs weak finance minister, single party vs coalition government, strong vs weak legislature, unitary vs federal systems)

Required Reading:
1. Irene S. Rubin, 1998. „Understanding the Role of Conflict in Budgeting,” in: HGB Chapter 2, pages 30-52

Recommended Reading:
Papers B 18-2000, ZEI - Center for European Integration Studies, University of Bonn.

**Topic 8. budgeting in practice 1: the budget process**

**Content:**
the budget cycle; budget preparation; budget presentation; parliamentary budget procedure; reallocation (intra-year and inter years) and haircut; reporting, internal and external financial control

**Required Reading:**
(1) MGE Chapters 4, 5, 9, 11

**Recommended Reading:**

**Topic 9. budgeting in practice 2: the content of the budget**

**Content:**
obligation and outlay; end year flexibility and multiyear budgeting; investment budgeting; earmarking and extra budgetary funds; budgeting for natural disasters and other contingent liabilities; cost accounting and accrual budgeting

**Required Reading:**
(1) MGE Chapter 2

**Recommended Reading:**
(2) Joseph White, 1998. „Budgeting for Entitlements” in: HGB Chapter 27, pages 678-698

**Topic 10. budgeting in practice 3: public (financial) management**

**Content:**
result oriented (program) budgeting; new public management; measuring efficiency in the public sector

**Required Reading:**
(1) MGE Chapter 15 and Annex II
Recommended Reading:

Topic 11. budgeting in practice 4: budgeting in the US
Content:
Based on the material of the previous three classes a comprehensive framework arises in which the budgeting system of almost any country can be described and analyzed. This framework is first presented for the US.

Required Reading:

Recommended Reading:
(2) MGE Chapter 1

Topic 12. budgeting in practice 5: regional differences in budgeting
Content:
Student presentations of recommended readings

Required Reading:

Recommended Reading:
(2) George M. Guess & Lance T. LeLoup, (2010) “Budgeting in Europe and in the European Union” in: Comparative Public Budgeting, Chapter 4
Part III. The self-control of the government

Topic 13. financing the government debt

Content:
Accounting and statistics of government debt and financial assets (deficit financing and change of government debt, stock-flow adjustment, revaluation); the government bond market (main investor categories, credit rating agencies, liquidity management and treasury systems); non standard techniques (privatization; government guaranties; state owned banks and financial institutions; Public Private Partnerships)

Required Reading:
(1) MGE Chapter 8

Recommended Reading:

Topic 14. student presentations of recommended readings I.

Topic 15. the legal environment of budgeting

Content:
The hierarchy of the legal system, typical public finance regulations at constitutional level

Required Reading: -

Recommended Reading: -

Topic 16. fiscal rules

Content:
Definition of fiscal rules; new generation of fiscal rules, anchoring fiscal expectations, the new rules of macro-fiscal coordination in the EU

Required Reading:


Recommended Reading:
(2) Barry Anderson, 2010: A spending rule is a better rule

**Topic 17. student presentations of recommended readings II.**

**Topic 18. fiscal statistics and budget gimmicks**

*Content:* Major fiscal indicators revisited, major types and examples of budget gimmicks

*Required Reading:*


*Recommended Reading:*


**Topic 19. transparency in fiscal policy**

*Content:* the notion and aspects of transparency; the role of transparency in fiscal policy (mitigate political economic problems and foster democratic participation);

*Required Reading:*


*Recommended Reading:*


**Topic 20. important notions and phenomena**

*Content:* The list of important notions and phenomena will be discussed.

**Topic 21. measuring and enforcing transparency in fiscal policy**

*Content:* Procedural and substantive rules to enforce transparency, freedom of information legislation, the Open Budget Index

*Required Reading:* -

*Recommended Reading:* -
Topic 22. the role of independent fiscal institutions and fiscal watchdogs

Content:
The possible and optimal role of independent fiscal institutions in enhancing transparency and credibility; NGOs in fiscal policy

Required Reading:
(1) Lars Calmfors & Simon Wren-Lewis, 2011: “What should fiscal councils do?”, Oxford University Discussion Paper Series 537

Recommended Reading:
(1) International Budget Partnership: A Guide to Budget Work for NGOs, 2011

Topic 23. the role of international organizations in fiscal policy

Content:
international organizations’ mission; standard publications; role in the fiscal policy of member countries

Required Reading:
(2) IMF World Economic Outlook
(3) Public Finances in EMU
   (selected parts from the latest issue)

Recommended Reading:
(2) latest ageing report of the EU
(3) OECD Economic Outlook

Topic 24. student presentations of recommended readings III.